South Carolina Retirement Systems

A division of the South Carolina Budget and Control Board

Accountability Report

FY 2006

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Executive Summary

The South Carolina Retirement Systems administers six retirement plans for South Carolina's public workforce by utilizing human and technological resources, both of which are reallocated throughout the year based on customer requirements. Some of the significant accomplishments for the Retirement Systems in FY06 include:

- Assumed administration of the National Guard Retirement System (NGRS). This required modifying information systems, production of educational materials and communication with members, and the addition of more than 3,000 annuitants to the payroll in FY06 for National Guard retirees.
- Modified information systems, business practices and communications materials to comply with Act 153.
- Retained an administrative cost per member well below that of comparable pension plans.
- The South Carolina Supreme Court ruled against the State and SCRS in the *Layman et al. v. the State of South Carolina and the South Carolina Retirement Systems* case. A comprehensive and wholly coordinated response to the Layman decision ensued, which included refunding contributions to more than 13,000 retirees.
- Modified external Web site to comply with Internal Revenue Service (IRS) Section 508, which requires that governmental electronic and information technology products be accessible to the disabled.
- Received the Award for Outstanding Achievement for the FY 2005 Popular Annual Financial Report (PAFR) and the Reward for Excellence in Financial Reporting for the FY 2005 Comprehensive Annual Financial Report (CAFR).
- Implemented new agency wide information technology security policies.
- Continued high customer satisfaction levels despite the workload requirements of the Layman decision and a number of special projects.
- Implemented a comprehensive auditing process to allow the Imaging Center staff to audit all new imaged member files and ultimately eliminate the need for offsite paper storage.
- Implemented an improved member statement in response to stakeholder feedback and benchmarking results.
- Streamlined automated processes to allow monthly payroll to process in one day versus three.

In FY06, the Retirement Systems' trust funds held in excess of $25 billion in net assets and paid almost $2 billion in refunds and recurring benefits, which is more than the personal income derived in the Palmetto State from farming, forestry, fishing, and utilities, combined (2005 U.S. Dept of Commerce, Bureau of Economic Analysis). This is a significant contribution to South Carolina's economy since 95 percent of our annuitants reside in South Carolina. Monthly annuity benefits were paid to nearly 110,000 retirees who provided service throughout the state during their careers (or their beneficiaries). The key stakeholders of the Retirement Systems are the

nearly 500,000 active, inactive, and annuitant members to whom services are provided for the five defined benefit plans, and the more than 15,000 participants in the State ORP defined contribution plan.

The state's pension plans are considered to be actuarially sound based on the Systems' long term obligations. Current contributions are sufficient to fund the liabilities of each plan over an acceptable time frame. Although contributions are made by both government employers and public employees, a significant portion of the Systems' revenue is generated through investment income (as shown on Page 19).

The annual administrative cost per active and retired member was $47, which was below the peer median of $80 (see Page 15). Base budget expenditures and appropriations information is included in the State Budget and Control Board's accountability report (http://www.bcb.sc.gov/BCB/docs/BCB2005-06AccountabilityReport.pdf).

Organizational Profile

The South Carolina Retirement Systems is a division of the Budget and Control Board. In FY 2006, the staff of the South Carolina Retirement Systems consisted of 178 permanent employees. The primary focus of the South Carolina Retirement Systems is to effectively administer a comprehensive program of retirement benefits for public employees. Our vision is to be an efficiently operated public pension plan that best serves the needs of public retirees and employees, governmental employers, and the citizens of South Carolina.

We consistently provide outstanding products and excellent customer services, as defined by our stakeholders, and we strive for continuous improvement. We are receptive to and flexible with the changing environment and the evolving world of technology. We welcome challenges, embrace innovation, and encourage creativity. We employ strategic and visionary approaches that are proactive, fair, and ethical. We perform our work with honesty, integrity, and loyalty. We are committed to performance that is credible, thorough, competent, and worthy of customer confidence. We respect the individual contributions of each employee and endeavor to empower them with the needed resources for teamwork, shared pride, and continuous learning.

Major Products/Services and How they are Provided

The Retirement Systems is located at 202 Arbor Lake Drive, Columbia, South Carolina, and is responsible for the administration of six separate systems:

- The South Carolina Retirement System (SCRS);
- The Police Officers Retirement System (PORS);
- The General Assembly Retirement System (GARS);
- The Judges and Solicitors Retirement System (JSRS);
- The National Guard Retirement System (NGRS); and
- The South Carolina State Optional Retirement Program (State ORP), a defined contribution plan alternative to the SCRS defined benefit plan.

Each of the systems has enabling legislation that guides its implementation and management.

The Retirement Systems' key customers include state agencies, the Governor's Office, the General Assembly, local governments, school districts and higher education institutions and state and local government employees.

Key suppliers to the organization are the participating employers, the members of the six retirement plans, other Board offices, the Office of the State Treasurer, the State Retirement System Investment Commission and the Office of the Comptroller General.

Key Challenges for 2006 – 2007
Senior leaders listed the following critical issues that will affect the administration of the Retirement Systems:

- Legal exposure;
- Wide-ranging service demands from stakeholders which include;
  - Sustained demand for continued security of confidential information;
  - Increasing demand for instantaneous access to system information that enables stakeholders to conduct transactions; and
- Information systems requirements and human resources to accommodate stakeholder demand.

The Retirement Systems' Performance Improvement System
The Retirement Systems' performance improvement system is inextricably tied to the Board's cycle of listening to and learning from stakeholders. It is through the processes utilized in this cycle, such as day-to-day stakeholder contact and surveys, that data is obtained, stakeholder needs are identified, and action is taken.

Strategic Planning Process
In addition to participating in the Budget and Control Board's strategic planning process, the Retirement Systems' senior leaders meet regularly to determine action plans for systematic improvement.

Key Steps/Timeline
- Periodic departmental staff meetings are conducted at the division level to communicate the vision and direction from a division-wide perspective.
- Data measurements are taken throughout the year and reported in the annual division accountability reports and departmental reports.

Participants
- The Retirement Systems' director and departmental assistant directors, managing legal counsel, internal auditor, and project management officer.

Data/Information Reviewed
- Departmental volume measures including inquiries, requests, claims, and payments.
- Quality control measures and audits.
- Policies and procedures.
- Responses to various customer satisfaction surveys.
- Division-level IT objectives.

Examples of Key Action Items
- Ongoing improvement of web site to enhance usability and relevance.
- Comprehensive auditing process in Imaging.
- Ongoing review of informational and educational materials.
- Providing and/or revising written procedures for certain division processes.
- Need for division project management.

Organizational Chart
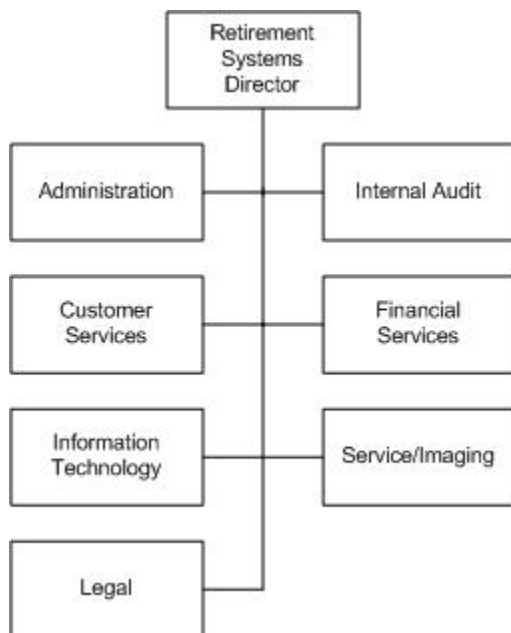
Base budget expenditures and appropriations, other expenditures, and interim budget reductions are reported on Page 11 of the Board's *Annual Accountability Report 2005-2006* (http://www.bcb.sc.gov)

Major Program Areas

Major Program Area Purpose (Brief)	FY 04 – 05 Budget Expenditures	FY 05 – 06 Budget Expenditures
To administer a comprehensive program of retirement benefits responsive to the needs of public employees and to perform fiduciary duties as stewards of the contributions and disbursements of the pension trust funds.	**State:** **Federal:** **Other:** 16,975,997 **Total:** 16,975,997	**State:** 50,000 **Federal:** - **Other:** 16,024,497 **Total:** 16,074,497

Strategic Planning

Supported Agency Strategic Planning Goal/Objective	Related FY 05 – 06 Key Agency Action Plan/Initiative(s)
Customer Satisfaction Return on Investment Enhance security and privacy	Developed new claims and payment systems. Made continuous software upgrades to enhance efficiency. Have removed Social Security numbers from documents to enhance privacy.

1.0 Leadership

1. How do senior leaders set, deploy and ensure two-way communication for: a) short and long term direction; b) performance expectations; c) organizational values; d) empowerment and innovation; e) organizational and employee learning; and, f) ethical behavior.

The Executive Director of the Budget and Control Board and the Retirement Systems' senior leaders set the division's short and long term direction with a focus on stakeholder satisfaction, employee well being, and return on investment. Senior leaders set performance expectations based on these three key processes and set organizational values according to the mission statements and strategic plans of the Board and the division.

The Retirement Systems' leadership team utilizes the following methods to deploy and ensure two-way communication of the division's direction, key processes, mission, and organizational values:

- Daily face-to-face interaction with staff;
- Informal discussion;
- Informational e-mails;
- Periodic managers' meetings;

- Regularly scheduled departmental meetings;
- Regularly scheduled and ad hoc staff meetings;
- Operational reporting;
- Work process measurement;
- Planning and evaluation stages of the Employee Performance Management System (EPMS); and
- An employee newsletter.

Senior leaders empower employees through a team-focused organizational structure and by providing the tools necessary for employees to perform their job duties accurately and efficiently. Senior leaders encourage and recognize innovation through individual and/or departmental commendation and peer recognition through the division's employee newsletter.

The leadership team ensures the availability of professional development opportunities for all employees through a program that allows employees to develop their own training and development plan each year. Learning opportunities range from almost daily in-house process-related training to outside opportunities scheduled throughout the fiscal year. All employees attend Malcolm Baldrige and customer service training.

Senior leaders communicate ethical behavior through personal comportment, general discussion of cases and policy decisions, and make all employees aware of the division's intolerance of unethical behavior through the deployment of ethics and use policies that must be reviewed, signed, and adhered to by all staff.

2. How do senior leaders establish and promote a focus on customers and other stakeholders?
The Retirement Systems' leadership team ensures a focus on and responsiveness to the division's stakeholders through continual evaluation of stakeholder needs throughout the year. The Retirement Systems reinforces its standards and expectations upon hire for new staff and throughout the year via e-mails and through our employee newsletter.

3. How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?
Senior leaders utilize the strategic planning process and regularly scheduled management meetings to identify and respond appropriately to potential risks and impacts on the public. For example, in FY06, senior leaders provided information to the Board and the General Assembly as requested to illustrate both the current and projected funding status of SCRS. Since SCRS benefits are guaranteed by state law, any prospective shortfalls would potentially impact state taxpayers. Senior leaders continually provide decision-makers with relevant data so that potential risks can be assuaged and/or prevented.

4. How do senior leaders maintain fiscal, legal and regulatory accountability?
The leadership team ensures fiscal accountability through automated systems designed with internal control edits to ensure accuracy of information; thoroughly tested and closely monitored automated systems changes; and monthly, daily, and yearly balancing and reconciliation with

external and internal data sources validates the division's data. Annual audits of financial records by an external, independent auditor further ensure accountability. The Retirement Systems is a statutory based organization and legal accountability is maintained by operating within the parameters of the statutes governing the Retirement Systems.

5. What key performance measures are regularly reviewed by your senior leaders?
Senior leaders regularly review key performance measures within the broad categories of: adherence to governmental accounting standards; accurate and prompt processing of all inquiries, requests, claims and payments; accurate and secure maintenance and retention of member and employer records; and the availability, reliability, and relevance of all information systems applications.

6. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?
The leadership team uses opportunities for improvement identified through the organizational performance review process and employee feedback to reassess its leadership and management effectiveness so the team may modify its style, approach, and/or behavior to accommodate findings and feedback.

7. How do their personal actions reflect a commitment to the organizational values? How do senior leaders promote and personally participate in succession planning and the development of future organizational leaders?
The Retirement Systems' senior leaders are working managers with tangible job duties in addition to managerial and administrative oversight of their respective operational areas. The leadership team's comportment while performing these duties demonstrates its commitment to the division's organizational values. As part of regularly scheduled departmental and leadership team meetings, senior leaders identify areas in which succession planning is essential and evaluate the human resources available for the present and the future. Throughout the year, the leadership team identifies staff capable of attaining requisite job and process knowledge to ensure uninterrupted service to stakeholders and ascertains which individuals have the potential for future leadership opportunities. The Retirement Systems takes advantage of training programs offered through the Board, such as the Leadership Academy and the Certified Public Manager program, that provide mechanisms through which staff can learn more about the Board, its other divisions, and public administration.

8. How do senior leaders create an environment for performance improvement, accomplishment of strategic objectives, and innovation?
Senior leaders regularly participate in the quarterly Employee Recognition events that recognize employees who've reached certain milestones in their careers and other accomplishments. Constancy of purpose is achieved through deployment of the Board's listening, learning, and improving process.

9. How does senior leadership actively support and strengthen the communities in which your organization operates? Include how senior leaders and employees contribute to improving these communities.

Senior leaders encourage and support involvement in the community through division participation in the United Way and Community Health Charities, and other Board-led charitable efforts. Senior leaders identify and determine areas of emphasis based on the division's location and through individual employee involvement.

2.0 Strategic Planning

1. What is your strategic planning process, including key participants, and how does it account for: a) your organization's strengths, weaknesses, opportunities and threats; b) financial, regulatory, societal, and other potential risks; c) shifts in technology or the regulatory environment; d) human resource capabilities and needs; e) the opportunities and barriers you described in the Executive Summary (question 4); f) business continuity in emergencies; g) your ability to execute the strategic plan.

Through a series of meetings, the Retirement Systems' senior management staff reflected on the strengths of our division, a process during which we highlighted key accomplishments achieved in the past as a preface to better assess the strategic priorities for the future. The Retirement Systems undertook several strategic initiatives in the past decade that fundamentally changed the way we do business. Among the most notable were:

- Implemented a centralized customer services department, which included a call center as well as customer consultation, customer education, and customer claims units;
- Implemented an imaging system; and
- Re-engineered business processes and implemented an integrated information technology system.

The results from the strategic initiatives listed above have allowed us to maintain a high level of service delivery, accuracy, and efficiency in our operations.

2. How do you develop and track action plans that address your strategic objectives? Note: Include how you allocate resources to ensure accomplishment of your action plans.

Through regular meetings among senior leaders, resources are reallocated periodically to ensure action plan accomplishment.

3. How do you communicate and deploy your strategic objectives, action plans, and performance measures?

The Retirement Systems communicates its strategic objectives, action plans, and performance measures to all employees through discussion, meetings, an employee newsletter, e-mail, and the EPMS. We deploy our strategic objectives, action plans, and performance measures through the combined efforts of human and technological resources.

4. How do you measure progress on your action plans?

The Retirement Systems' senior leaders develop action plans through the strategic planning process and track these action plans through senior leadership meetings, departmental meetings, and informal discussion. Since the Retirement Systems is a service organization, strategic planning, action plans, and resources are allocated based on stakeholder requirements. Information systems requests are reprioritized as necessary and staff is cross trained as needed to accomplish action plans.

5. How do your strategic objectives address the strategic challenges you identified in your Organizational Profile?

Maintaining quality stakeholder satisfaction will require increasing service levels at a prudent cost so as to retain our low administrative cost per member as compared to other pension plans. Ensuring employee well-being will require maintaining a healthful workplace where employees are empowered and have learning and growth opportunities.

3.0 Customer Focus

1. How do you determine who your customers are and what are their key requirements?

The Retirement Systems' customers, both members and covered employers, are established in statute. Key requirements for our member customers depend upon their status – whether they are active, inactive, or retired. Employer key requirements are fundamentally tied to financial reporting and member information.

2. How do you keep your listening and learning methods current with changing customer/business needs and expectations?

The Retirement Systems conducts annual customer satisfaction surveys of all covered employers and a random sample of members who retired within the previous 12-month period. Covered employers also receive an annual training survey that provides detailed information in addition to a customer satisfaction rating. Results of these surveys are reported on Page 16. While these formal surveys are useful and provide us with trend data, ad hoc conversations with members and employers are important in determining changing stakeholder and business needs. In FY06, customer satisfaction ratings for our Call Center and Customer Consultation departments were 99.06 percent and 99.9 percent, respectively. This compares to 98.8 percent and 99.4 percent, respectively, for FY05, the first year a quality check form and call-back process were used. The Retirement Systems' business needs are a direct result of our stakeholders' needs, as identified through our listening and learning methods.

3. How do you use information from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?

Each year, the Retirement Systems analyzes the results of the formal customer satisfaction and training surveys. The results are also used to gauge the effectiveness of services. Individual survey responses are shared with appropriate departmental staff for attention in addition to senior leaders. Stakeholder feedback is also received through Customer Services' quality check form and call-back process, daily contact, field visits, and other ad hoc conversation. When possible,

both manual and automated processes are modified in response to stakeholder feedback, all with the goal of improving service delivery.

4. How do you measure customer/stakeholder satisfaction and dissatisfaction, and use this information to improve?
The Retirement Systems measures stakeholder satisfaction annually through formal surveys and throughout the year through Customer Services' quality check form and call-back process, and ad hoc discussion and communication. Comments from stakeholders are shared with senior leaders as appropriate.

5. How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.
Positive relationships with stakeholders evolve from individual employee/customer contact, formal participation by senior leaders in legislative and other meetings, and speaking engagements. The types of services provided to our member customers and employer customers may vary, but the delivery of services is consistent and of the highest caliber.

4.0   Measurement, Analysis, and Knowledge Management

1. How do you decide which operations, processes, and systems to measure for tracking financial and operational performance, including progress relative to strategic objectives and action plans?
The Retirement Systems measures operations, processes, and systems identified through strategic planning and stakeholder requirements. These include functions essential to the division's day-to-day operations and those functions on which our stakeholders rely.

2. How do you use data/information analysis to provide effective support for decision-making throughout your organization?
The Retirement Systems uses volume measures to support decisions about the allocation of human and other resources to accommodate service demand. Cycle time performance data is used to assess the timeliness of service delivery. The division also analyzes trend, financial impact, quality assurance, customer satisfaction, and benchmarking data to support decision-making. The feasibility and effectiveness of possible changes are also considered.

3. What are your key measures, how do you review them and how do you keep them current with business needs and direction?
The Retirement Systems' key measures are customer satisfaction, employee well being, and return on investment (administrative cost per member). Senior leaders review these measures through regular and ad hoc discussions to ensure that current business needs and directives are reflected therein.

4. How do you select and use comparative data and information to support operational and strategic decision making and innovation?
The division has contracted with Cost Effectiveness Measurement, Inc., to benchmark the Retirement Systems' performance against that of its peer public pension plans. The FY 2005

study, the latest available, compared the division's performance to the performance of 13 other similar plans. Volume and trend data is used to gauge fluctuations in workloads and peak service demand periods so that resources can be allocated accordingly. Evaluation of the annual valuations and actuarial reports of other state pension plans is conducted as well.

5. How do you ensure data integrity, timeliness, accuracy, security and availability for decision-making?
Information systems have built-in safeguards and controls to ensure that data is not compromised. An internal auditor routinely conducts random audits to further ensure data integrity and accuracy. The Board's Division of Internal Audit and Performance Review also audits data. Additionally, the Retirement Systems' financial accounting records are audited annually by an independent, external auditor. Systems safeguards and upgrades also ensure data availability and timeliness.

6. How do you translate organizational performance review findings into priorities for continuous improvement?
Senior leaders review and compare organizational performance findings with current business needs, stakeholder demands and industry practices to better prioritize action plans for continued improvement.

7. How do you collect, transfer, and maintain organizational and employee knowledge (your knowledge assets)? How do you identify and share best practices?
The Retirement Systems employs succession planning to ensure that accumulated employee knowledge is not lost when a long-time employee terminates employment. Formal cross training, and informal mentoring and shadowing are also used to collect and transfer accumulated employee knowledge. Best practices are identified and shared through performance measurement and benchmarking against global and peer public pension plans.

5.0 Human Resource Focus
1. How do you organize and manage work: to enable employees to develop and utilize their full potential, aligned with the organization's objectives, strategies and action plans; and to promote cooperation, initiative, empowerment, innovation and your desired organizational culture?
The foundation for organizing and planning work at the Retirement Systems is our strategic planning process. As part of this process, our leadership team plans for the future and asks employees for their ideas. This information is regularly communicated to our employees so that they know not only our organization's mission and vision but also their roles in achieving these goals and objectives. We translate these broad objectives into prioritized action plans and create a work environment of individual growth and development that helps our employees do their jobs.

2. How do you evaluate and improve your organization's human resource related processes?
The Retirement Systems adheres to and utilizes the human resource related processes established and provided by the Board's Office of Internal Operations. We evaluate these processes through

feedback from employees who participate in training and/or cross training opportunities and share this information with the Office of Internal Operations as requested.

3. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation, and safety training? How do you encourage the job use of the new knowledge and skills?
Strategic and succession planning, as well as customer requirements, drive the division's key developmental and training needs. The Retirement Systems has a Training Advisory Committee that meets periodically to further analyze needs as identified by senior leaders and employee suggestions. Each fiscal year, employees may complete a Personal Career Development Plan. Likewise, a training calendar is updated each year from which employees may select courses for the coming year. Senior leaders select employees for management and leadership development and enroll this staff in the Certified Public Manager, Leadership Academy, and other programs offered by the Board's Office of Internal Operations. New employee orientation is handled through the Office of Internal Operations as well. Safety training occurs on-site and through Board-sponsored classes. Employees are encouraged to use new knowledge and skills through ad hoc discussion with their supervisors and peers.

4. How does your employee performance management system, including feedback to and from employees, support high performance and contribute to the achievement of your action plans?
The planning and evaluation stages of the EPMS provide two-way communication opportunities for supervisors and employees. In addition to any written comments in an EPMS, face-to-face discussion and review of the EPMS planning and evaluation stages allow employees a regularly scheduled opportunity to find out what is expected of them and allow supervisors to inform staff of these expectations.

5. How do you motivate your employees to develop and utilize their full potential?
The Retirement Systems has a formal recognition program coordinated by a volunteer committee. In addition to quarterly service award recognition events, in FY06, employees participated in an annual chili cook-off, a holiday brunch, and a Cinco de Mayo fiesta for Public Employee Recognition Day that also featured a gallery of customized photographs of all employees. Individual employee achievements, both professional and personal, are publicized in our employee newsletter, *For Our Benefit*.

6. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances? How do you determine priorities for improvement?
The Retirement Systems informally measures employee well being and satisfaction through day-to-day conversation, departmental meetings, and through comments placed in the division's suggestion boxes. Employee motivation is more formally assessed through the division's annual employee training and development planning process.

The Board's Office of Internal Operations conducts exit interviews with terminating employees, analyzes the data, and notifies the Retirement Systems' director of any concerns. The grievance process is also handled by the Board. Priorities for improvement are identified and implemented by the Board.

7. How do you maintain a safe, secure and healthy work environment? (Include your workplace preparedness for emergencies and disasters)
Workplace safety, security, and health are ensured through regular observation, inspection, maintenance, and repair of the physical plant. Emergency and disaster preparedness plans are updated as necessary and drills are carried out at least annually to ensure that all employees know what to do and where to go in the event of an emergency or disaster. Nine employees retained their cardiopulmonary resuscitation (CPR) and emergency first aid certifications in FY06. The Retirement Systems also has a disaster recovery program in place for payments and will be expanding this program to include all areas of operations.

6.0   Process Management
1. What are your key processes that produce, create or add value for your customers and your organization? How do you ensure that these processes are used?
Two value-added key processes are the incorporation of customer requirements into new technology and the cross-training of staff. The services provided to customers by the Retirement Systems are customer-driven and technologically-based. By furthering technological means in addition to empowering human resources, the Retirement Systems can improve service delivery. By cross-training staff, the Retirement Systems ensures that human resources are available when and where needed without an increase in staffing. Other key processes that add value for our customers are: 1) Tracking of all customer requests for information, benefit estimates and other services on a centralized computer system; 2) Instantaneous access to member information through document imaging and Unix systems; 3) Customer participation in electronic banking processes such as electronic fund transfer (EFT); 4) Employers' ability to submit reporting data electronically; 5) Web-based technology that allows the division to make brochures, handbooks, forms, and other current news and information readily available to customers; 6) Continual updates to automated systems as a result of legislative changes, process improvements, and customer feedback. When information systems modifications are made, input is requested from all impacted departments to ensure that internal customer needs are met as well.

2. How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors into process and design delivery?
The Retirement Systems incorporates organizational knowledge into process and design delivery through ad hoc conversation, discussion, and regularly scheduled meetings. To ensure that organizational knowledge is constant and continuous, the division practices succession planning and shadowing. New technology is incorporated into process and design delivery as a result of customer requirements. As customer and mission-related requirements change, senior leaders reassess business requirements and make necessary modifications to the Retirement Systems' processes. The Retirement Systems is able to control costs associated with process and design

delivery through in-house systems programming. Key performance measures and formal surveys are used to identify shifting customer and/or business requirements.

3. How does your day-to-day operation of these processes ensure meeting key performance criteria?

Through continuous monitoring and assessment, the Retirement Systems can identify opportunities for improvement and take immediate corrective action or integrate a longer term solution into its five-year strategic plan.

4. How do you systematically evaluate and improve your key product and service related processes?

The Retirement Systems empowers its employees by providing the necessary tools to perform their jobs and by providing learning and growth opportunities. The division relies heavily on technology and the information systems with which many job functions are intertwined. By continuously evaluating our human and technological resource needs and adapting our processes accordingly, the Retirement Systems can improve these processes and the services they support.

5. What are your key support processes and how do you improve and update these processes to achieve better performance?

The division's key support processes include: automated information systems; financial and accounting management; facilities management; and intergovernmental relations. The Retirement Systems regularly reviews and analyzes the effectiveness of each key support process. Processes needing improvement are identified and revised to better accommodate both internal and external customer requirements and service delivery. Technology is an integral part of almost all Retirement Systems processes and continued development and streamlining of our technological capabilities allows staff to better meet our customers' needs and, thus, achieve better performance.

7.0   Business Results

The Retirement Systems takes its role of fiduciary steward seriously and compares favorably among its peer pension plans. Our business results are presented herein in the form of charts depicting our key performance measures.

Administrative Cost Per Member (2005)

A benchmarking analysis by Cost Effectiveness Measurement, Inc., found that in 2005 the Retirement Systems operated at the fourth lowest cost per member among the 13 peer pension plans in the analysis. Cost increases were due in part to changes in the formula used by the benchmarking organization.

Year	Retirement Systems	Median Cost for Similar System
2001	45	55
2002	45	57
2003	44	57
2004	46	67
2005	47	80

Administrative cost per member includes active members and payee annuitants, but does not include major projects per se, or investment related costs. Since the cost for major projects can be very volatile, i.e., high one year and low the next, CEM, Inc., uses a multi-year average cost instead of a single year cost because it provides a better estimate of the ongoing long-term amount. The Retirement Systems' multi-year average was based on three years of data: 2005 - $369K, 2004 - $50K, and 2003 - $116K.

South Carolina Retirement Systems
FY 2006 Stakeholder Satisfaction

97.73%   98.16%

Percent Satisfied With Service

100
80
60
40
20
0

Overall Retiree Satisfaction

Overall Covered Employer Satisfaction

This data begins a new trend due to changes in survey composition and the formulae used to calculate satisfaction results.
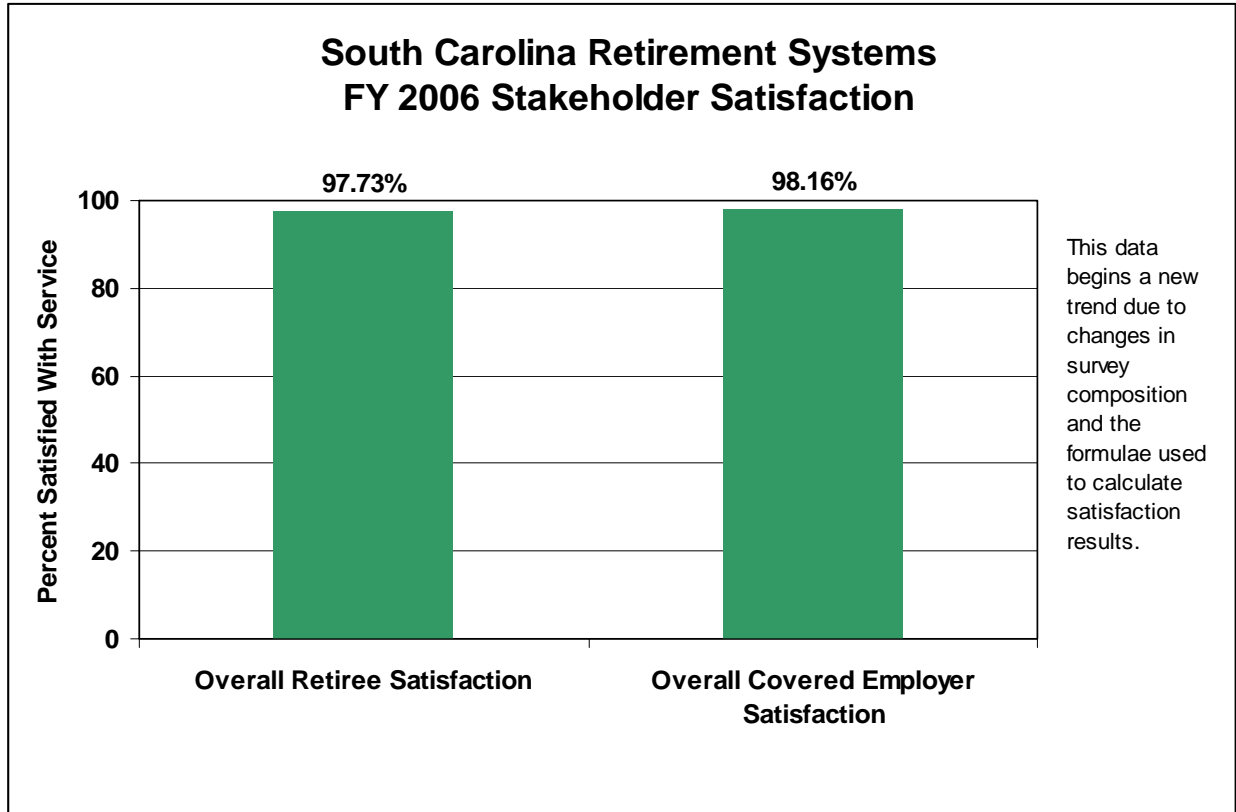
The Retirement Systems conducts an annual stakeholder satisfaction survey. All covered employers receive a survey annually. A random sample of members who retired within the previous 12-month period is surveyed as well. The random sample is obtained by beginning with the third record and taking every third record thereafter. The overall satisfaction percentages are calculated based on the number of neutral, agree, and strongly agree responses to the survey statements.

Total Membership by Fiscal Year

Legend:
- Total active, elected positions and other special contributing members
- Terminated members entitled to but not yet receiving benefits
- Retirees and beneficiaries currently receiving benefits

Years: 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005

Retirees and Beneficiaries Currently Receiving Benefits By Fiscal Year

Year	Value
1996	59,042
1997	61,668
1998	64,425
1999	67,334
2000	70,677
2001	81,393
2002	87,162
2003	93,271
2004	99,099
2005	104,781

Terminated Members Entitled to But Not Yet Receiving Benefits By Fiscal Year

Year	Value
1996	127,956
1997	127,531
1998	132,782
1999	137,370
2000	141,461
2001	146,501
2002	150,063
2003	151,282
2004	156,377
2005	159,167

Total Active, Elected Positions and Other Special Contributing Members by Fiscal Year

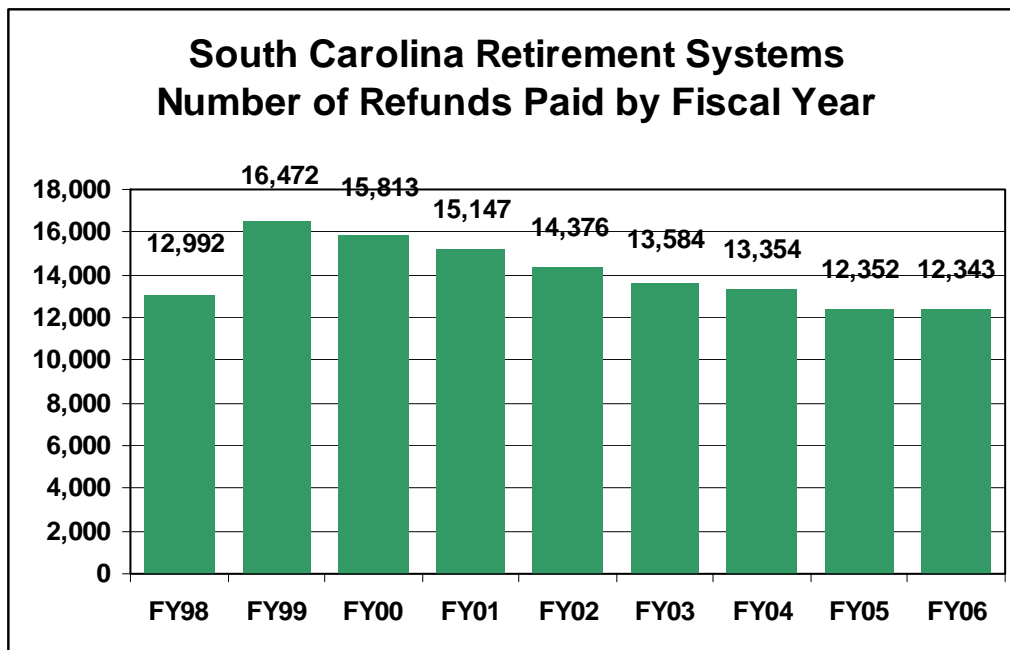| Year	Value
1996	199,329
1997	207,753
1998	213,473
1999	216,685
2000	221,945
2001	216,652
2002	213,457
2003	209,749
2004	205,898
2005	205,148

The membership data on this page is based on the actuarial valuations of each defined benefit plan. The Retirement Systems administers an alternative defined contribution plan, the State Optional Retirement Program, which at the end of FY06 had approximately 15,000 participants.

Total Annuitants Added to Payroll
By Fiscal Year

Fiscal Year	Value
FY98	5,215
FY99	6,011
FY00	6,244
FY01	12,217
FY02	9,455
FY03	9,016
FY04	8,471
FY05	8,013
FY06	9,502
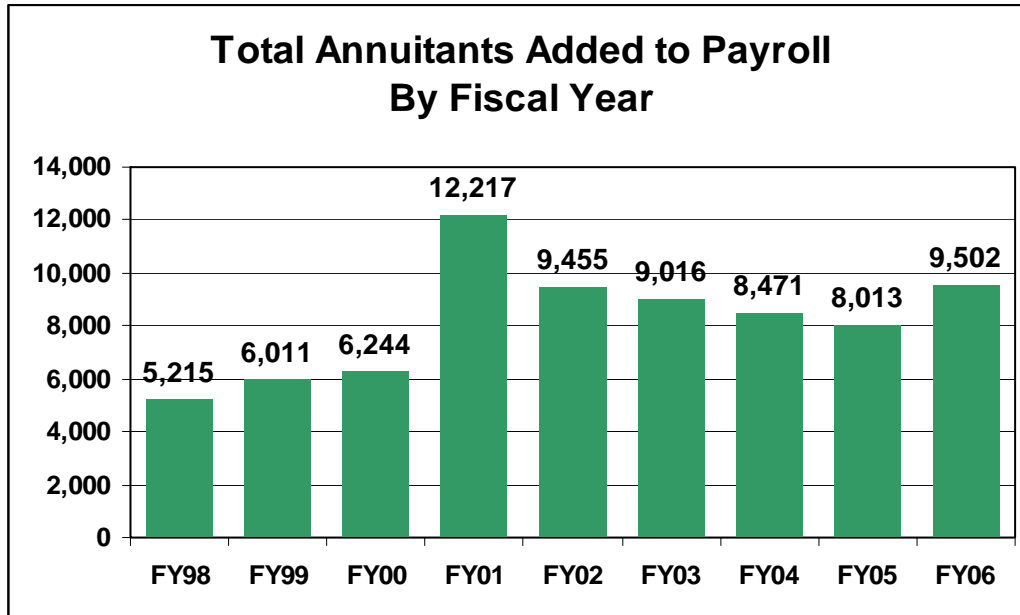
The surge in annuitants in FY01 was due to the enactment of the Teacher and Employee Retention Incentive (TERI) program and 28-year retirement eligibility for members of the South Carolina Retirement System (SCRS). The increase in FY06 was due to additions of National Guard Retirement System (NGRS) annuitants. The Retirement Systems assumed administration of NGRS January 1, 2006.

South Carolina Retirement Systems
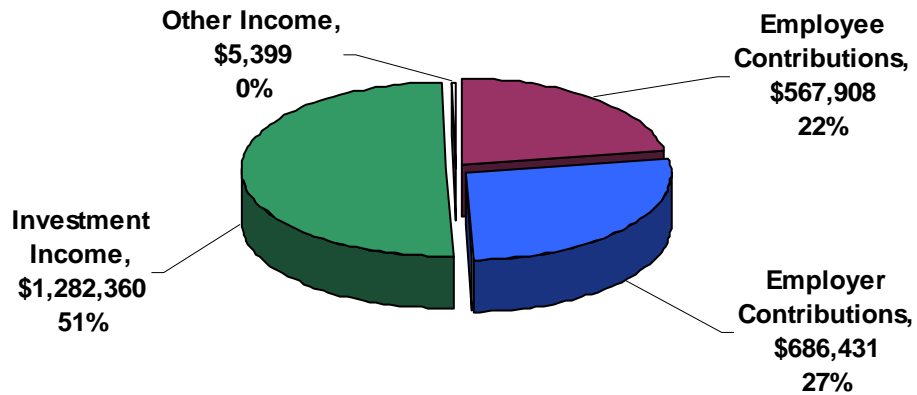**Number of Refunds Paid by Fiscal Year**

Fiscal Year	Value
FY98	12,992
FY99	16,472
FY00	15,813
FY01	15,147
FY02	14,376
FY03	13,584
FY04	13,354
FY05	12,352
FY06	12,343

South Carolina Retirement Systems
Additions to Pension Trust Funds
Fiscal Year 2006
Amounts Expressed in Thousands

Other Income,
$5,399
0%

Employee
Contributions,
$567,908
22%
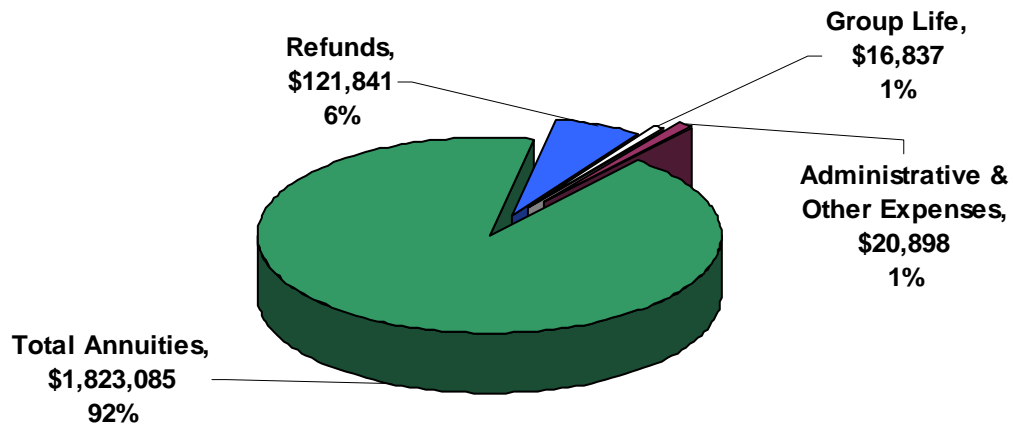
Investment
Income,
$1,282,360
51%

Employer
Contributions,
$686,431
27%

South Carolina Retirement Systems
Deductions from Pension Trust Funds
Fiscal Year 2006
Amounts Expressed in Thousands

Refunds,
$121,841
6%

Group Life,
$16,837
1%

Administrative &
Other Expenses,
$20,898
1%

Total Annuities,
$1,823,085
92%

Customer Services Call Center Calls

Number Of Calls

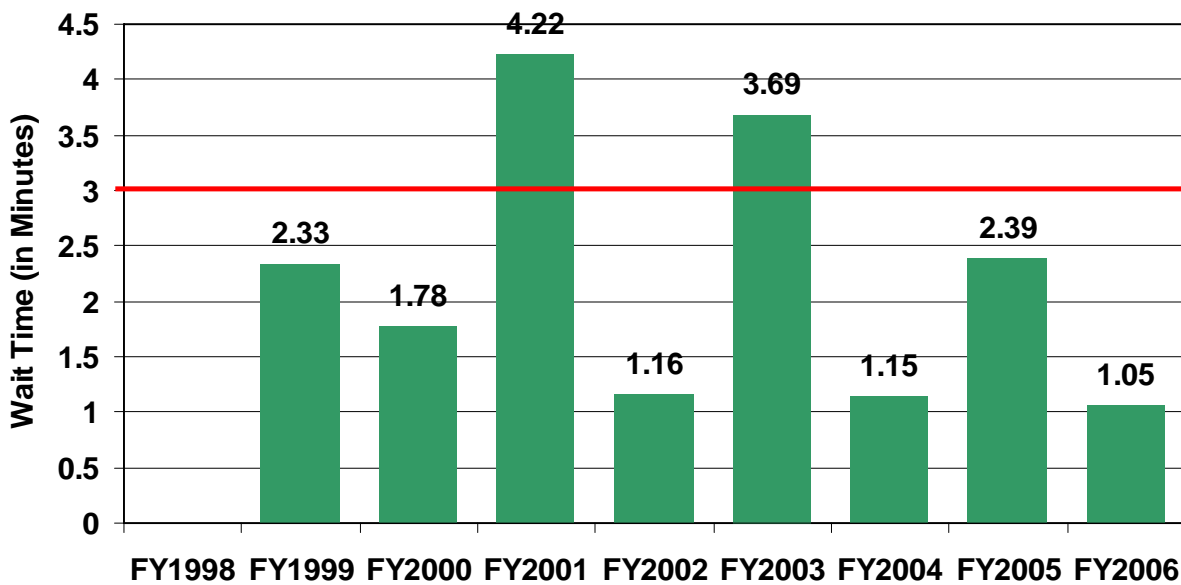|	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Incoming Calls	176,764	169,614	172,481	250,324	177,998	205,120	191,111	201,034	191,961
Calls Answered	116,771	125,903	135,614	166,291	148,692	138,720	161,425	154,523	163,196

■ Calls Answered ■ Total Incoming Calls
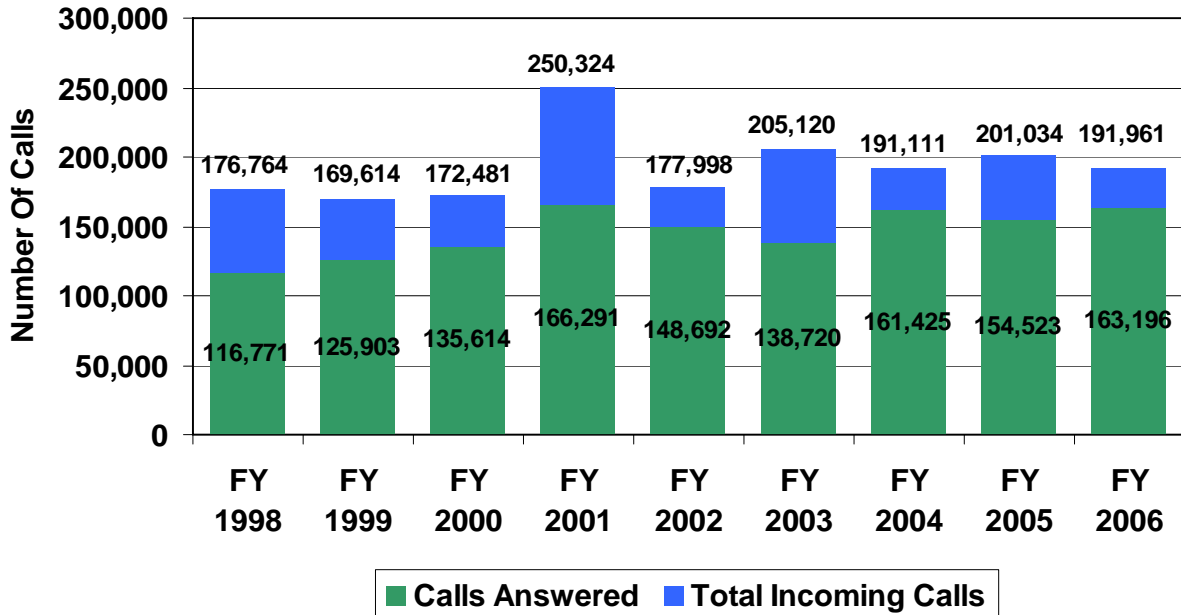
Call Center Call Wait Time by Fiscal Year

Wait Time (in Minutes)

	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
Wait Time		2.33	1.78	4.22	1.16	3.69	1.15	2.39	1.05

Data is not available for 1998. Benchmark is to respond within three minutes.

Visitors By Fiscal Year

Fiscal Year	Seen by Customer Service	Total Visitors
FY 1998	11,047	
FY 1999	12,257	
FY 2000	12,411	
FY 2001	23,017	
FY 2002	12,975	14,193
FY 2003	15,056	15,967
FY 2004	14,547	15,232
FY 2005	14,985	15,519
FY 2006	13,189	13,489

Legend: ■ Seen by Customer Service ■ Total Visitors
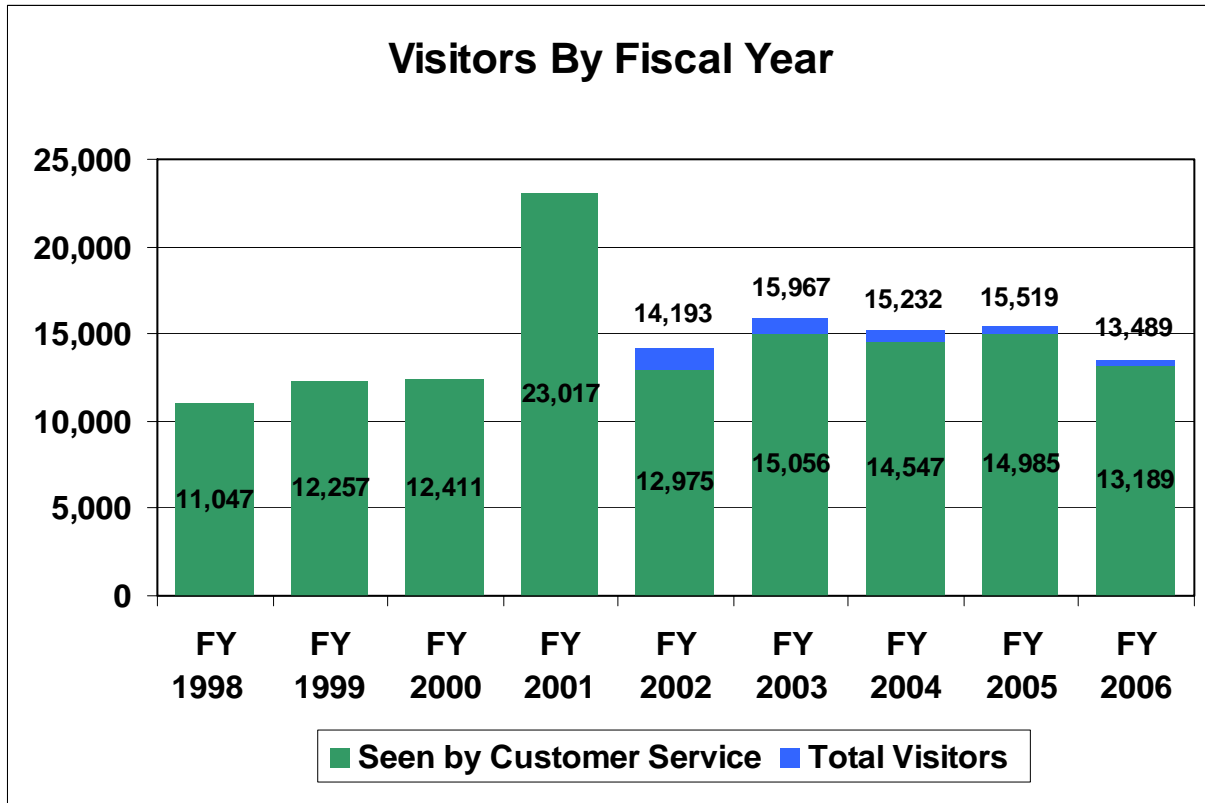
Data separated by department is not available for fiscal years prior to 2002.

Customer Intake Visitor Wait Time
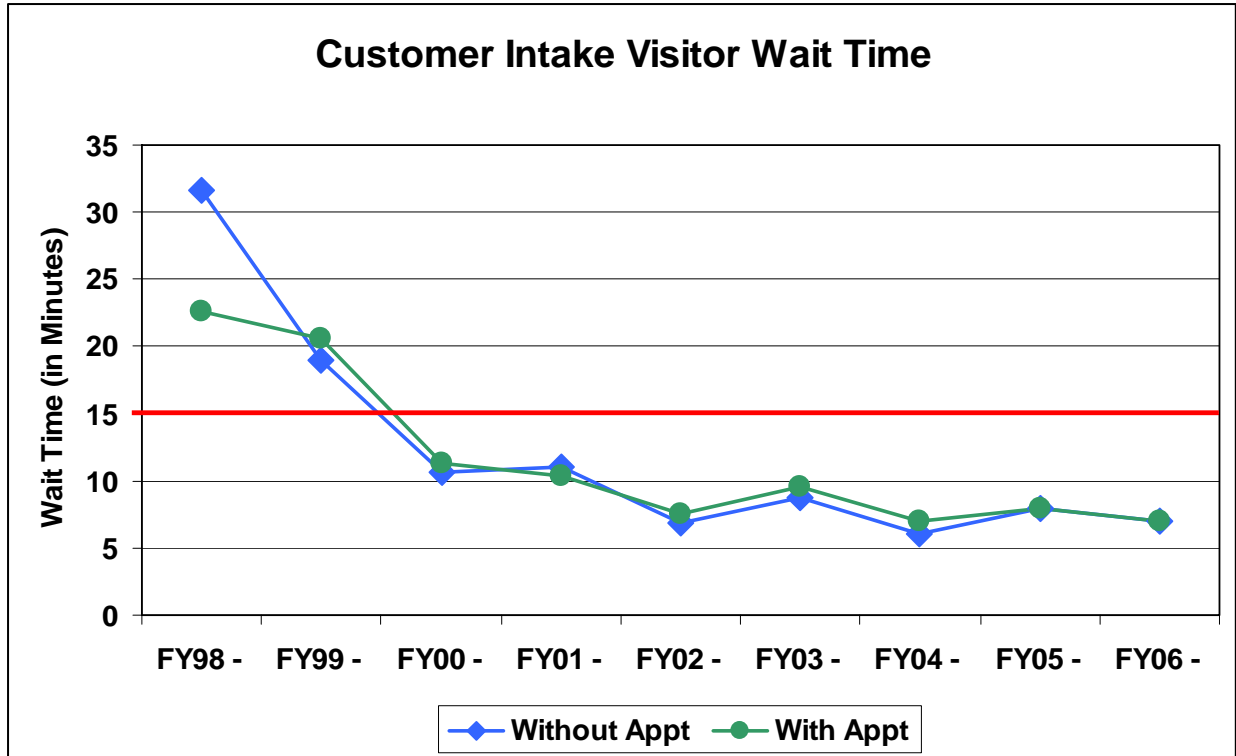
Benchmark is to see visitors within 15 minutes.